

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

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**Lloyd Hinn, Jr.,**  
Appellant,

v.

**Johnson County Board of Review,**  
Appellee.

**ORDER**

**Docket No. 14-52-0045**  
**Parcel No. 0636127006**

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On November 25, 2014, the above-captioned appeal came on for consideration before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) (2013) and Iowa Administrative Code rules 701-71.21(1) et al. Appellant Lloyd Hinn, Jr. of HHB, Inc. Property Tax Consultants represents CW Coralville, LLC and requested a written consideration. Assistant County Attorney Andy Chappell represented the Board of Review. The Appeal Board now, having examined the entire record, and being fully advised, finds:

***Findings of Fact***

Lloyd Hinn, Jr. protested on behalf of CW Coralville, LLC, the owner of property located at 2491 Holiday Road, Coralville, Iowa. The real estate was classified commercial on the January 1, 2014, assessment and valued at \$4,023,500 representing \$1,026,000 in land value and \$2,997,500 in improvement value. According to the property record card, the subject is a three-story, extended stay hotel/motel built in 2007 with 34,126 square feet of gross building area and seventy-four rooms. It has typical hotel accoutrements such as paved parking area, yard lights, fencing, and signage. The site is 1.472 acres.

Hinn protested to the Johnson County Board of Review on the ground that there has been a downward change in value since the last reassessment under Iowa Code sections 441.37(1)(a)(2) and 441.35(2). The Board of Review denied the protest.

Hinn then appealed to this Board. With his appeal, Hinn submitted a four-page explanation of his valuation methodology and contends the Assessor's income approach overvalues the subject property. He ultimately requests a 2014 assessment of \$2,539,024.

Chief Deputy Assessor Gary Bilyeu drafted a memorandum explaining how the Assessor's Office valued the subject property and which Hinn submitted as evidence in this appeal. (Exhibit E). Bilyeu stated the property owner reported a gross income of \$1,081,879 on 76% occupancy. However, the Assessor's Office used a 50% occupancy rate, which it found to be more typical for this type of hotel. Further, it based its opinion on a gross income of \$675,250 and an NOI of \$465,921. Bilyeu capitalized the NOI by a loaded capitalization rate of 11.58%, resulting in an assessed value of \$4,023,500 (rounded).

While Hinn adjusted the Assessor's income approach, he did not develop a separate income approach to value. Hinn relied on a December 2013 Smith Travel Research (STR) report (Exhibit I) for the property comparing its performance to like motels in the area. The competitive set used consisted of five Iowa extended stay hotels in Coralville and North Liberty with between 72 and 103 rooms. The subject's 2013 average daily rate (ADR) was \$57.68 as compared to like properties in the area with a 2013 ADR of \$81.75 (Exhibit I). Hinn opines the subject property has a lower value because its ADR is \$24.07 less its competitors. Therefore, Hinn's income approach utilizes the subject's actual ADR, not the market ADR, to calculate the subject's NOI. The subject property's 2013 occupancy rate is 63.3% as compared to an average of 61.4%. He lowered the subject's actual income to reflect the 50% market occupancy rate used by the Assessor, which, in turn, reduced the NOI to \$116,970 and the indicated value to \$1,010,103. Hinn also modifies his income approach using the STR reports' occupancy rate of 61.4% to conclude an NOI of \$294,019. After applying the 11.58% capitalization rate, Hinn determines the subject's 2014 assessment should be \$2,539,024.

Hinn selectively reduces the income estimates both when the subject underperforms the market and when it outperforms the market. We find that Hinn's methodology is atypical and does not reflect the subject property's market value. In conclusion, Hinn did not provide credible evidence of the market value of the property on January 1, 2013, and January 1, 2014, to show a change in value.

### *Conclusions of Law*

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

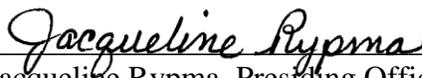
In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2). The property's assessed value shall be one hundred percent of its actual value. § 441.21(1)(a).

In a non-reassessment or “interim” year, when the value of the property has not changed, a taxpayer may challenge its assessment on the basis that there has been a downward trend in value. *Eagle Food Ctrs., Inc. v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 862 (Iowa 1993). The last unnumbered paragraph of Iowa Code section 441.37(1)(a)(2) and its reference to section 441.35(2) give rise to the claim of downward trend in value. For a taxpayer to be successful in its claim of change in value, the taxpayer must show a change in value from one year to the next; the beginning and final valuation. *Equitable Life Ins. Co. of Iowa v. Bd. of Review of the City of Des Moines*, 252 N.W.2d 449, 450 (Iowa 1997). The assessed value cannot be used for this purpose. *Id.* Essentially, it is not enough for a taxpayer to prove the last regular assessment was wrong; such a showing would be sufficient only in a year of regular assessment. *Id.* at 451.

Hinn did not show the subject property’s market value as of January 1, 2013 and January 1, 2014, and the evidence falls short of the proof necessary to establish the subject property suffered a downward change in value. We find a preponderance of the evidence does not prove there has been a change in the value of the subject property since the last reassessment.

THE APPEAL BOARD ORDERS the 2014 assessment of the property located at 2491 Holiday Road, Coralville, Iowa, is affirmed.

Dated this 26th day of December, 2014.

  
Jacqueline Rypma, Presiding Officer

  
Karen Oberman, Board Member

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